

Message Text

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ACTION NEA-11

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
EB-08 COME-00 TRSE-00 OMB-01 STR-07 AID-05 /086 W
-----012273 211656Z /72

R 211520Z JUN 78
FM AMEMBASSS CAIRO
TO SECSTATE WASHDC 0608
INFO AMEMBASSY DAMASCUS
AMEMBASSY JIDDA

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E'O. 116522 N/A
TAGS: ETRD, EINV, EIAD, EG
SUBJ: FORD AND THE BOYCOTT

REF: CAIRO 13159

1. SUMMARY. FORD EGYPT REP ABOUL ELA INDICATES FOR INVESTMENT PROJECT MAKING PROGRESS. NEW "PLACEMENT MEMORANDUM" INCORPORATING TERMS OF AGREEMENTS REACHED DURING RECENT CAIRO VISIT OF WILLIAMS/FREDERICKS AND FORD TECHNICAL TEAM WAS PREPARED IN DEARBORN AND HAS NOW BEEN PRESENTED TO EGYPTIANS. IF LEGAL PROBLEM RELATING TO TAXES ON TRANSFER OF ALEXANDRIA PLANT CAN BE RESOLVED, ABOUL ELA HOOES PARTIES CAN REACH "FINAL" AGREEMENT BY END OF JULY. OVERALL BOYCOTT PROBLEM, HOWEVER, STILL REMAINS. ON SEPARATE SUBJECT, ABOUL ELA INDICATES THAT DIFFICULTIES OVER ENTRY INTO EGYPT OF FORD PRODUCTS FINANCED BY AID HAVE NOW BEEN RESOLVED AND WILL NOT RECUR. END SUMMARY.

2. FORD EGYPT MANAGER A.H. ABOUL ELA CALLED ON AMBASSADOR JUNE 10 TO REVIEW STATUS OF PROPOSED FORD INVESTMENT
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PROJECT IN EGYPT. ABOUL ELA SAID HE HAD RECENTLY RECEIVED FROM DEARBORN AND HAD DISTRIBUTED TO GOE OFFICIALS AND PROSPECTIVE PARTNER A NEW "PLACEMENT MEMORANDUM" BASED ON RESULTS OF RECENT VISIT TO CAIRO BY WILLIAMS/FREDERICKS AND FORD TEAM. MEMORANDUM INCLUDES TERMS OF VARIOUS IMPLEMENTING AGREEMENTS CONCLUDED BETWEEN PARTIES. ABOUL ELA HAD NOT YET GOTTEN EGYPTIAN REACTION TO

DOCUMENT, BUT PLANNED EARLY CONTACT WITH MINECON SAYEH AND INVESTMENT AUTHORITY DEPUTY CHAIRMAN EL NAZER WHO HAVE BEEN AWAY AT PARIS CONSULTIVE GROUP MEETING. (ABOUL ELA HAD NOTED IN EARLIER CONVERSATION THAT ALTHOUGH HE HAD NO SPECIFIC INFORMATION ON SUBJECT, HE ASSUMED SAYEH HAD MET WITH FORD REPS IN PARIS). ABOUL ELA WILL ALSO BE DISCUSSING WITH NASCAR CHAIRMAN GAZARIN CONTENTIOUS ISSUE OF FORD ESTIMATES ON EXPATRIATE EMPLOYEE COSTS, WHICH MIN INDUSTRY HILAL HAD DIRECTED GAZARIN TO COMPARE WITH PREVAILING RATES IN OIL INDUSTRY.

3. ACCORDING ABOUL ELA, ONE CURRENT PROBLEM IS QUESTION OF METHOD OF TRANSFERRING FORD EGYPT ASSETS TO NEW JOINT VENTURE. SIMPLE CONTRIBUTION OF PROPERTY TO NEW ENTITY WOULD PROBABLY RESULT IN REALIZATION OF TAXABLE GAIN. PREFERABLE METHOD WOULD BE TO MERGE ASSETS OF OLD COMPANY INTO NEW, BUT CHANGE OF LAW APPARENTLY NECESSARY TO PERMIT MERGER WITH IMMEDIATE CONSOLIDATION OF ASSETS. WHEN THIS QUESTION HAD BEEN RAISED SOME TIME AGO WITH MINECON SAYEH AND GAMAL EL NAZER, ABOUL ELA SAID MINISTER HAD BEEN ENTHUSIASTIC ABOUT SUPPORTING NECESSARY LEGAL AMENDMENT, WHICH WOULD ALSO BENEFIT FUTURE INVESTMENT PROJECTS IN WHICH SAME ISSUE INVOLVED. COUNCIL OF STATE HAD ALREADY APPROVED CHANGE, ACCORDING ABOUL ELA, AND MATTER IS NOW IN CABINET. IF NOT APPROVED BY END OF CURRENT PEOPLES ASSEMBLY SESSION, ABOUL ELA HOPES THAT LIMITED OFFICIAL USE

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AN APPROPRIATE PRESIDENTIAL DECREE CAN BE OBTAINED. ASSUMING RESOLUTION OF THIS ISSUE, ABOUL ELA HOPES "FINAL" MEETING OF PARTIES CAN TAKE PLACE IN LATE JULY.

4. ON SEPARATE QUESTION OF PROBLEMS THAT HAVE ARISEN ABOUT ENTRY INTO EGYPT OF FORD VEHICLES PROCURED THROUGH AID FINANCING, ABOUL ELA SAID HE HAD HAD RECENT POSITIVE MEETING WITH ALEXANDRIA BOYCOTT OFFICE HEAD, GENERAL AMIN ATTA. LATTER HAD INDICATED THAT CURRENT DIFFICULTIES WOULD BE SPEEDILY RESOLVED AND THAT WITH RESPECT TO FUTURE AID-FINANCED PURCHASES, THERE WOULD BE NO PROBLEMS ABOUT ENTRY OF FORD PRODUCTS.

5. AMBASSADOR ASKED ABOUT STATUS OF PROPOSAL FOR MINISTRY OF INTERIOR TO BUY LARGE NUMBER OF FORD JEEPS. ABOUL ELA SAID IDEA HAD ORIGINATED WITH FORMER DEPPRIMIN KAISSOUNI AND HAD APPARENTLY BEEN ABANDONED WITH HIS POLITICAL DEMISE. PRIME MINISTER, ACCORDING RUMOR ABOUL ELA HAD HEARD, HAD SCOTCHED FORD PURCHASE FOR FEAR OF AROUSING UNNECESSARY NEGATIVE REACTION FROM OTHER ARABS. ABOUL ELA SAID HE UNDERSTOOD MINISTRY OF INTERIOR WAS NOW SHOPPING FOR VEHICLES AND HAD MADE INQUIRIES WITH GENERAL

MOTORS AND MERCEDES BENZ. IN RESPONSE QUERY BY AMBASSADOR,
ABOUL ELA INDICATED EGYPTIANS APPARENTLY FEEL THAT IN
VIEW OF SPECIAL NATURE OF AID ACQUISITIONS, THEY ARE NOT
VULNERABLE TO CRITICISM FOR PERMITTING ENTRY OF BOYCOTTED
PRODUCTS FINANCED FROM THIS SOURCE.

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EB-08 COME-00 TRSE-00 OMB-01 STR-07 AID-05 /086 W
-----012298 211656Z /72

R 211520Z JUN 78
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6. COMMENT: ABOUL ELA INDICATED HE WAS MORE OPTIMISTIC
ABOUT EVENTUAL COMING TO FRUITION OF FORD PROJECT THAN
HE HAD BEEN SINCE BEING INVOLVED WITH IT. OBSTACLES TO
CONCLUSION OF PROJECT, HOWEVER, HAVE PROVED RECURRENT
AND STUBBORN, AND OVERALL BOYCOTT PROBLEM STILL REMAINS
BE RESOLVED. EMBASSY HAS ON A NUMBER OF OCCASIONS
RAISED WITH GOE OFFICIALS, INCLUDING PRIME MINISTER,
QUESTION OF ENTRY OF FORD PRODUCTS UNDER AID-FINANCED
TENDERS. APPARENT RESOLUTION OF PROBLEM, IF IT PROVES
TRUE, WOULD BE GRATIFYING DEVELOPMENT. EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, BOYCOTTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO15527
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780259-0025
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780637/aaaabfus.tel
Line Count: 158
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8693b784-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 CAIRO 13159
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2270844
Secure: OPEN
Status: NATIVE
Subject: FORD AND THE BOYCOTT
TAGS: ETRD, EINV, EAID, EG, FORD MOTOR COMPANY
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/8693b784-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014